

Date: 10/1/96
To: ALL STORES
cc: ALL DISTRICT MANAGERS
From: GEORGE BUERGER
Subject: **1996 CIGARETTE PROGRAM**

The following Walgreen Cigarette Program has been approved as a continuing program for 1996.

The program is designed to increase cigarette sales, reduce inventory and increase profits through quarterly payments.

Walgreens will be participating in the Philip Morris "Masters Program" and new for 1996, the R. J. Reynolds "Partners Program".
Stores will be credited on a quarterly basis through your Purchase Ledger.

PHILIP MORRIS "MASTERS PROGRAM"

Participation in the Philip Morris "Masters Program" is based on the following two factors:

- Strict Compliance to merchandising and display criteria as outlined in the attached planogram.
- Philip Morris Brand Carton Sales. Every quarter, the average Philip Morris carton sales are calculated by district. Each district is then put into one of the following sales categories:

AVERAGE CARTONS PER WEEK PER STORE	QUARTERLY PAYMENT
0 - 29	\$ 60
30 - 49	120
49 - 64	222
65 - 77	276
78 - 89	324
90 - 103	378
104 - 122	438
123 - 146	522
147 - 177	630
178 - 210	756
211 - 255	906
256 - 304	1092

In addition to the above monies, we also receive corporate monies to run lower price promotions throughout the year.

R. J. REYNOLDS "PARTNERS PROGRAM"

Participation in the R. J. Reynolds "Partners Program" is based on the following criteria:

- Strict Compliance to merchandising and display criteria as outlined in the attached planogram.
- R.J. Reynolds Brand Carton Sales. Every month, the average R. J. Reynolds carton sales are calculated for the Walgreen chain. Each store is then put into one of the following two categories:

AVERAGE CARTONS PER WEEK	QUARTERLY PAYMENT
16 - 47	\$ 75
47 +	180

THE FOLLOWING CRITERIA MUST BE IN PLACE AT ALL TIMES IN ORDER TO RECEIVE PAYMENTS:

THE PACK RACK

(see planogram) Dept. 1001-01 Cigarettes/Packrack 3'

- All stores must have a Philip Morris 140 Pack Floor Fixture. To order a fixture, contact Mark Schwab at ext. 3169.
- All stores must merchandise 50% (the first five rows) of the facings on the fixture with Philip Morris Brands. Furthermore, they must be merchandised on the rack in the following manner:

ROW #1: The Marlboro Brand Family (Marlboro, Marlboro Lt., etc.)
ROW #2: The Philip Morris Premium Group (Merit, Bensen & Hedges, Virginia Slims)
ROW #3: The Philip Morris Premium Brands
ROW #4: The Philip Morris Premium Brands
ROW #5: The Philip Morris Generic Group

ROW #6 Thru ROW #10 Are to be merchandised with the next top selling brands, organized alphabetically (see attached planogram). These 5 rows are based on national sales figures. Make adjustments for local demand where necessary.

THE CARTON AREA

(see planogram) Dept. 1002-02 Cigarettes/Cartons 6'

All stores must display 50% of their cigarette carton facings with Philip Morris Brands. Furthermore, they must be merchandised in the following manner:

- The top and most prominent shelf of the carton area (shelf #5 on the attached planogram) must merchandise The Marlboro Brand family.
- The next two shelves will merchandise the Philip Morris Premium Brand Group.
- The remaining shelves will merchandise all other top selling brands arranged in alphabetical order. These shelves are based on national sales figures. Make adjustments for local demand where necessary.

NOTE: The 9' Cigarettes/Carton planogram has been discontinued.

THE SINGLE PACK DISPLAYS

The 1996 Cigarette Program requires all stores to merchandise the following displays behind the Number One Checkout:

	DESCRIPTION	WIC #
1	Marlboro Pack Display (Marlboro, Marlboro Lt.)	964177
1	Philip Morris Premium Brands Pack Display (Merit, Bensen & Hedges, Virginia Slims, etc.)	964177
1	Basic Brand Pack Display	964177
1	R.J.R. Premium Brands Pack Display	644403
1	R.J.R. Discount Brands Pack Display	644403
1	Manchester Brands Pack Display	900140

ALL DISPLAYS ARE AVAILABLE FROM THE WALGREEN WAREHOUSE

NOTE: Beginning on 9/16/96, There will be an authorized distribution of the R.J.R. and MANCHESTER pack displays.

Each store will receive (2) cartons; one will contain a single MANCHESTER pack display (WIC#900140), and one will contain (2) R.J.R. pack displays (WIC#644403).

SEE DIAGRAM #1 FOR EXACT POSITIONING OF EACH DISPLAY

LIGHTER AND SNUFF DISPLAYS

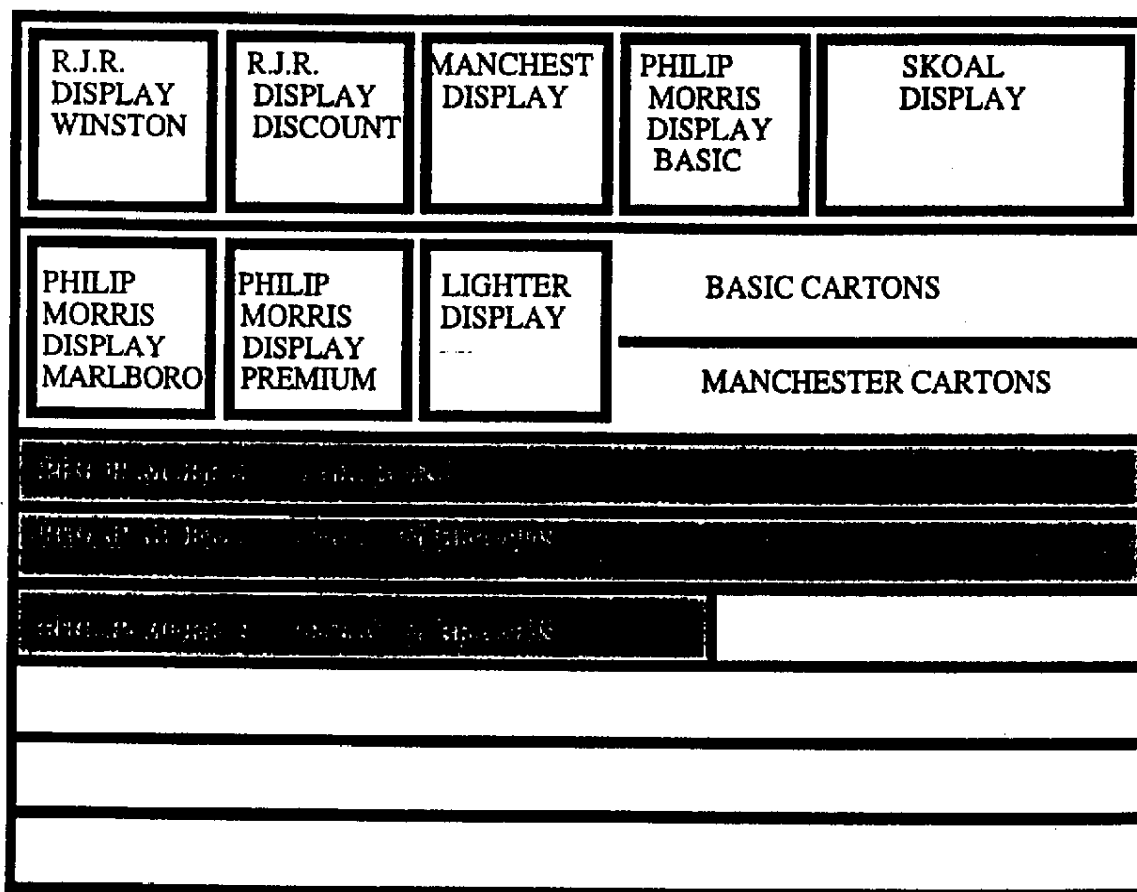
The Lighter and Snuff Displays are to be merchandised with the cigarette displays per Diagram #1 below and the attached planogram.

The lighter displayer can be ordered from the Berkeley Warehouse #2, the WIC # is 964004. The lighters are available from all Walgreen warehouses.

To order a snuff displayer, contact David Snider at ext. 2859. Snuff products are available from your local cigarette distributor.

The following diagram is to be used for quick reference. The attached PACK RACK PLANOGRAM and 6' CIGARETTE PLANOGRAM contain detailed information for each S.K.U.

DIAGRAM #1



51847 8504

BASIC DEPARTMENT SIGNING

The basic department sign package consists of the following:

SIGN TYPE	AVAILABLE FROM	VIA	ORDER #####
36" Manchester	Sign shop	Basic sign package	E - 971*
36" Premium Brand	Sign shop	Basic sign package	
36" Value Brand	Sign shop	Basic sign package	
Manchester display header	Sign shop	Basic sign package	
Marlboro display header	Philip Morris		
Basic Brand display header	Philip Morris		
P.M. Premium display header	Philip Morris		
R.J. R. Discount display header	R.J. Reynolds		
R.J. R. Premium display header	R.J. Reynolds		

* E - 971 includes (2) of each of the 36" signs, and (2) Manchester display headers.